



General Assembly

Distr.: General

24 March 2006

Original: English

Sixtieth session

Agenda items 46 and 120

Integrated and coordinated implementation of
and follow-up to the outcomes of the major
United Nations conferences and summits in the
economic, social and related fields

Follow-up to the outcome of the Millennium Summit

Investing in the United Nations: for a stronger Organization worldwide

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General entitled "Investing in the United Nations: for a stronger Organization worldwide" (A/60/692). During its consideration of the report, the Advisory Committee met with representatives of the Secretary-General, including the Deputy Secretary-General, who provided additional information and clarification.

2. Background is given in paragraphs 8 to 13 of the report of the Secretary-General; as stated in paragraphs 11 and 12, the report is presented as his response to General Assembly resolution 60/1. In addition to the report now before the General Assembly, a number of other reports are contemplated for future submission.

II. General observations and recommendations

3. The report of the Secretary-General is mostly general in nature, providing a broad outline of management reform initiatives. The details of many of the proposals remain to be worked out and refined.

4. The report represents the third major reform initiative proposed by the Secretary-General since 1997 (see also A/51/950 and Add.1-6 and A/57/387 and Corr.1), and the Advisory Committee notes that many of the ideas put forward in



this latest round of reform have their genesis in past proposals. The Committee points out, in this connection, that some of what has been approved in the past is still in the process of implementation.

5. It should be noted that a number of the proposals are within the purview of the Secretary-General in his role as Chief Administrative Officer of the Organization pursuant to Article 97 of the Charter of the United Nations and therefore do not need specific legislative approval. In some cases the intended reform, while within the prerogative of the Secretary-General to act, may have financial implications that would require the involvement of the General Assembly.

6. The Advisory Committee points out that a set of principles to ensure accountability is key to the successful management of any organization, and draws attention to the need to specifically define what is meant by accountability in the United Nations context and to set out the parameters of its application and the instruments for its vigorous enforcement (see paras. 8 and 14 below).

7. The Advisory Committee recommends that the Secretary-General be requested to prepare a detailed report that would tie together interrelated issues while reflecting the unique nature of the United Nations and its central role. In this connection, the Committee notes that the report makes reference to United Nations funds and programmes. The Committee encourages the use of best practices throughout the United Nations system; however, it emphasizes that the special character of the Organization should always be borne in mind when the applicability of principles and practices used in other entities is being considered. The Committee was informed that, if requested, the Secretariat would be in a position to submit such a report by May 2006. An exception would be made in the case of human resources, however, for which a report is already scheduled for September 2006 that could be looked at separately by the General Assembly at the main part of its sixty-first session as part of its off-budget year consideration of human resources issues.

8. The detailed report should include all areas covered by the current report of the Secretary-General and should incorporate all the various additional reports now contemplated (with the exception of the report on human resources management issues mentioned above). For each proposal, the detailed report should include:

- An indication of any previous similar proposals and how they developed into their current form, with concise references to relevant General Assembly resolutions and decisions and Advisory Committee recommendations
- An assessment of the impact of previous and ongoing reforms as they relate to current proposals
- Specific cost and administrative implications (including changes to regulations, rules and procedures), with detailed analysis and justification
- An explanation of how accountability will be defined and enforced
- The projected impact on the enhancement of the effectiveness of the work of the Organization, as well as the return on investment

• Projected time lines for implementation

Such information should also be included in the September human resources management report.

9. Taking the foregoing into account and subject to such guidance as the General Assembly may provide on the various aspects of the report of the Secretary-General, the Advisory Committee puts forward, in the paragraphs below, a number of observations on individual proposals, without prejudice to its future consideration of the detailed report recommended above.

III. Observations on individual proposals

A. Investing in people (proposals 1-4)

10. During the last three bienniums, the Secretary-General has introduced a number of initiatives to improve the way in which the Organization manages and develops its human resources. A number of human resources reforms have been introduced, but much remains to be done. As indicated above, the Advisory Committee will address the proposals on human resources issues in the context of its consideration of the report to be submitted in September 2006. The Committee has commented extensively on human resources policy, especially in the last two bienniums.

11. The Advisory Committee was informed of the intention of the Secretary-General to consult with the staff on human resources management issues. The Committee trusts that such consultations will be carried out in accordance with article VIII of the Staff Regulations and section XVI of General Assembly resolution 59/266.

B. Investing in leadership (proposals 5-7)

12. In proposal 5, the Secretary-General proposes to redefine the role of Deputy Secretary-General and delegate to him or her formal authority and accountability for the management and overall direction of the operational functions of the Secretariat. The Advisory Committee was assured that it was not the intention to diminish the role or responsibilities of the Secretary-General as Chief Administrative Officer of the Organization (see Article 97 of the Charter). Under the circumstances, the Committee considers that it is up to any individual Secretary-General, within the framework set by the General Assembly in its resolutions 52/12 B and 52/220 (sect. III, para. 3), to determine the functions of the Deputy Secretary-General.

13. With regard to proposal 6, the Advisory Committee is of the view that the Secretary-General's successor will need to have a say in any regrouping of departments within the Secretariat as a means of streamlining reporting lines. Furthermore, the Committee was unable to ascertain from representatives of the Secretary-General what this proposed regrouping would look like or whether there would be fewer Under-Secretaries-General or some other arrangement by which some groups or clusters would have several, with one acting as principal Under-

Secretary-General. Accordingly, the Committee recommends that the proposal be further developed for the consideration of the next Secretary-General.

14. In the view of the Advisory Committee, proposal 7 clearly falls within the purview of the Secretary-General in his role as Chief Administrative Officer of the Organization, unless there are additional financial implications associated with the building up of a cadre of senior and middle managers. In further developing the concept, a clear accountability framework should be drawn up for appropriate action in the case of underperformance or non-performance. In this connection, the Committee recalls its recommendation in its first report on the proposed programme budget for the biennium 2006-2007 that "there should be a whole range of specific disincentives for failure to perform satisfactorily, up to and including dismissal, as well as incentives for excellent performance" (A/60/7, para. 57).

C. Investing in information and communication technology (proposals 8-10)

15. The Secretary-General notes that there is no integrated system designed to store, search and retrieve information generated at the United Nations, much less to do so rapidly and in real time. Furthermore, he points out that at least six departments have their own information and communication technology units, with no functioning integrating mechanism in place among them (see A/60/692, paras. 50 and 51).

16. Proposal 8 requests General Assembly approval for the creation of the post of Chief Information Technology Officer at the Assistant Secretary-General level. The Advisory Committee recalls that it had recommended the creation of a new senior position of Chief Information Officer in 2003 (see A/58/7, para. 126). The Committee reiterated that recommendation in 2005 when it stated its view that, given the magnitude of the resources the Organization spends on information and communication technology, the creation of a new senior position of Chief Information Officer of the United Nations who would be responsible for developing the information and communication technology strategy, operational policies and procedures and the most appropriate structure for the service, would appear to be justified. The Committee also stressed the importance of appointing to the post an expert with extensive professional expertise in the day-to-day running of a complex information technology system (see A/60/7, para. 112). In addition, the Committee points to the fact that this person would have to deal with the crucial issue of information security and the need for continuity of the business of the Organization. As to the proposed level of the post, the Committee requests that a detailed description of the envisaged functions of the post form part of the report to be submitted in May 2006 so that an informed decision can be made in this regard.

17. Proposals 9 and 10 envisage a sustained effort to align information and communication technology priorities with Secretariat performance objectives and, subject to the final results of the soon-to-be-completed feasibility studies, the replacement of the Integrated Management Information System (IMIS), Galaxy and other stand-alone information and communication technology management support systems with a fully integrated global system by 2009. The Secretary-General provides a preliminary estimate of the cost of such a system of approximately \$120

million over several years (A/60/692, para. 56). This is presented as a condition for the adoption of the International Public Sector Accounting Standards; the Secretary-General indicates his intention to propose to the General Assembly the adoption of those standards later in 2006 (*ibid.*, para. 75). The Advisory Committee has consistently stressed the need for system-wide coherence and coordination, as well as cost-effectiveness, in this regard (see A/56/7, paras. 90-94, A/59/400, paras. 40-43, and A/60/7, para. VIII.47). Figure 5 of the Secretary-General's report shows the complexity of the current landscape of information and communication technology systems. Costly, incompatible and duplicative systems have proliferated. The Committee notes that such systems as Mercury, Sun, the Field Personnel Management System, Galileo and IMIS, which have certain common inputs and outputs, are not linked by either application interfaces or a common database. Data from one system must be manually recorded in the other systems.

18. The Advisory Committee stresses that the detailed report to be presented in May should include an assessment of previous investments and take into account problems being experienced by both the Information Technology Services Division and the Communications and Information Technology Service as well as the experience of the United Nations system with recent technological innovation programmes. Details should also be provided on the expected time frame for introduction of the system and arrangements for continuation of the present systems during the transitional period.

D. Investing in new ways of delivering services (proposals 11-15)

New sourcing options

19. Proposal 11 requests the General Assembly to modify its guidance on outsourcing, as set out in its resolution 55/232, which the Secretary-General describes as being severely restrictive, to allow the Secretariat to consider all options for alternative service delivery, including relocating work to lower-cost duty stations and outsourcing. In proposal 12 it is proposed that a number of cost-benefit analyses be undertaken on relocation, outsourcing and telecommuting opportunities for select administrative services. In the view of the Advisory Committee, no legislative approval is necessary for the proposed cost-benefit analyses, since such studies are not precluded by General Assembly resolution 55/232. The Committee trusts that such analyses will take into account lessons learned in the United Nations system and expects that the Assembly will be fully informed of the results. With regard to the request of the Secretary-General in proposal 11, should the results of the analyses so indicate, then a case for modification could be made and a proposal with specific details submitted to the Assembly for consideration.

Strengthening procurement

20. Proposal 13, concerning a swift conclusion of ongoing investigations in the area of procurement, does not require the involvement of the General Assembly. Proposals 14 and 15 concern follow-up action the Secretary-General intends to undertake in response to the findings of investigations currently under way. These proposals, in the view of the Advisory Committee, require no legislative approval. The Committee looks forward to the comprehensive report outlined

in proposal 15. However, in view of the fact that much of the work entailed in producing that report has either been completed or is well under way, the Committee requests that the information be included as part of the detailed report to be submitted to the Assembly in May.

E. Investing in budget and finance (proposals 16-18)

21. Proposal 16 deals with the budget process. In the view of the Advisory Committee, current requirements for scrutiny of the budget do not permit the implementation of the second item under proposal 16 unless the General Assembly decides to significantly change the way in which it considers and approves the regular and peacekeeping budgets.

22. With regard to peacekeeping budgets, the Advisory Committee points out that the General Assembly, by its resolution 49/233 A, decided that the financial period for each peacekeeping operation should be from 1 July to 30 June, and the Financial Regulations were amended accordingly. This was decided taking into account the substantial workload of the Assembly, the Advisory Committee and the Secretariat. Practical experience has shown that this arrangement works well and allows the Secretariat the necessary time to prepare and the Advisory Committee and the Fifth Committee adequate opportunity to consider the peacekeeping estimates.

23. As to the third item under proposal 16, the Advisory Committee points out that the consolidation of the appropriation lines of the regular budget from 35 sections into 13 parts would, in most cases, increase the flexibility of the Secretary-General to move post and non-post resources by allowing such movement within parts rather than the individual sections. In order to gain a better understanding of the Secretary-General's proposal, the Committee requests that a mock-up of the proposed budget parts be included in the detailed report to be submitted to the Assembly in May. The Committee will comment further at that time.

24. The fourth item under proposal 16 proposes that posts be approved in aggregate numbers and grouped into four broad grade categories. Upon enquiry, the Advisory Committee was informed that the four categories would be as follows: (a) Under-Secretary-General/Assistant Secretary-General; (b) D-2/D-1; (c) Professional; and (d) General Service and other. This proposal, in fact, amounts to a request for flexibility in the classification of posts. The Committee has consistently supported greater flexibility in this area. In this connection, for example, the Committee recalls its recommendation in paragraph 74 of its first report on the proposed programme budget for the biennium 2004-2005 (A/58/7) that the existing authority for the Secretary-General to reclassify posts be refined so as to provide the ability to reclassify posts from G-1 to G-6 and from P-1 to P-5, provided that the overall number of posts in each grade does not change. This would generally mean that each upward reclassification would have to be offset by the downward reclassification of another post or that posts would be exchanged (e.g., a P-5 in one office would be exchanged for a P-4 in another). The Committee will make recommendations on this matter when it considers the detailed proposals to be submitted in May.

25. In the fifth item under proposal 16, authority is requested, within a given budget period, to use the savings from vacant posts, up to a value of 10 per cent of the overall post budget, for emerging priorities or unanticipated activities. In this connection, the Advisory Committee recalls paragraph 53 of General Assembly resolution 56/253, in which the Assembly reaffirmed that the vacancy rate was a tool for budgetary calculations and should not be used to achieve budgetary savings; in paragraph 54 of the same resolution, the Assembly reaffirmed that deliberate management decisions should not be taken to keep a certain number of posts vacant, as that action made the budget process less transparent and management of human and financial resources less efficient. **The Committee requests the Secretary-General to clarify his proposal, especially as concerns the reference to emerging priorities, in the context of the detailed report to be submitted in May 2006.**
26. With regard to the first item under proposal 17 concerning the consolidation of peacekeeping accounts, the Advisory Committee notes that a report on this subject is to be issued in the coming weeks. **The Committee will therefore comment on the matter in the context of its consideration of that report.** The Committee's previous observations on the matter can be found in its general report on peacekeeping operations to the General Assembly at its fifty-seventh session (A/57/772, paras. 20-28).
27. The second item under proposal 17 envisages a new policy to be introduced in July 2006 to govern the streamlined management of trust funds, which would include simplified rules and procedures, the introduction of a single trust fund category and the establishment of a new standard for support costs, which would be lower than the current 13 per cent. The Advisory Committee was informed that an internal review had been completed and that a report was being prepared. **The Committee requests that the report on this proposal be included in the detailed report to be submitted to the Assembly in May.** As indicated in paragraph 8 above, the report should include appropriate reference to what has been done in the past on this matter.
28. The third item under proposal 17 requests that the ceiling of the commitment authority granted by the General Assembly for peacekeeping operations be increased from \$50 million to \$150 million. **The Advisory Committee points out that clear and convincing justification is needed before an increase could be considered; this should be included in the detailed report to be submitted in May.**
29. **The Advisory Committee is of the view that the proposal to increase the level of the Working Capital Fund (proposal 17, fourth item) for the regular budget from \$100 million to \$250 million is a policy decision for the General Assembly to make.**
30. The Advisory Committee notes that in accordance with financial regulations 3.2, 5.3 and 5.4, budget surpluses are usually surrendered at the end of the financial period to which they relate. Accordingly, the proposal to retain surpluses for use in subsequent periods (proposal 17, fifth item) would require amendments to the Financial Regulations. **The Committee expects a full analysis of the changes that would be necessary, which should be presented in the detailed report to be submitted in May.**

31. The Advisory Committee has commented on numerous occasions concerning proposals to establish a separate fund to cover unanticipated expenditures arising from exchange rate fluctuations and inflation and has pointed out a number of difficulties with the idea of financing the reserve fund from the outset through an assessment on all Member States. The Committee has pointed out that this would not give Member States a more precise idea of the final total amount to be paid than is currently the case and, in addition, would result in advance payment for requirements that might or might not materialize (see A/44/729). In its first report on the proposed programme budget for the biennium 2006-2007 (A/60/7 and Corr.1), the Committee reiterated its past position on the matter and recommended the continuation of the current system, whereby requirements are adjusted annually on the basis of the most recent forecast by the Secretary-General of inflation and exchange rates.

32. The proposal that interest should be charged on arrears in a Member State's assessed contributions (proposal 17, seventh item) is, in the view of the Advisory Committee, a policy matter to be decided by the General Assembly with the advice of the Committee on Contributions.

33. The Advisory Committee welcomes the Secretary-General's proposal to increase attention to performance evaluation and reporting (proposal 18), as this area has been a weak link in the budgetary process. The Committee looks forward to seeing a detailed implementation plan for this proposal, which should be presented in the report recommended above.

F. Investing in governance (proposals 19-21)

34. In connection with the proposal for a single annual report including comprehensive financial and programme information (proposal 18, last item, and proposal 19, first item), the Advisory Committee recalls its statement in paragraph 18 of its first report on the programme budget for the biennium 2004-2005 (A/58/7) that:

the current practice of reporting on programme and financial performance separately and on separate cycles needs to be reformed to make it consistent with and supportive of results-based budgeting. The Committee therefore recommends that a single report be issued that would cover both programme and financial performance for the same period. Such reports should be available for use during the formulation and consideration of the proposed programme budget.

The Committee requests that a mock-up of the single comprehensive annual report, including a proposed calendar for its consideration, be provided in the detailed report to be submitted to the General Assembly in May.

35. In relation to the second item of proposal 19, the Advisory Committee was provided, upon request, with additional details concerning the existing reports on management and finance issues that are proposed for consolidation into six reports. That information should be finalized and included in the detailed report to be submitted in May.

36. The detailed policy proposal containing new rules on public access to United Nations documentation, which is to be submitted in May (proposal 19, last item) should form part of the detailed report to be submitted in May.

37. As regards proposals 20 and 21, the General Assembly is the competent body to deal with those issues.

G. Investing in change (proposals 22 and 23)

38. In proposals 22 and 23, the Secretary-General indicates that resources will be needed at an early stage for a change management office and for a staff buyout. The Advisory Committee will comment on those proposals when they are developed. The presentation of proposals should include relevant experiences in the United Nations system, as well as a set of criteria for potential recipients of the buyout. In making a proposal on change management, capacity and expertise already available in the Secretariat should be taken into account.